

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6564

BILL NUMBER: SB 217

DATE PREPARED: Mar 15, 2002

BILL AMENDED: Mar 14, 2002

SUBJECT: Muscatatuck State Developmental Center Closure.

FISCAL ANALYST: Michael Molnar

PHONE NUMBER: 232-9559

FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: (CCR Amended) This bill requires the Division of Disability, Aging, and Rehabilitative Services to take certain actions, including conducting public hearings, submitting a report to the Legislative Council and the Commission on Mental Retardation and Developmental Disabilities, and developing a plan, before downsizing Muscatatuck State Developmental Center. The bill specifies conditions that must be met before Muscatatuck State Developmental Center (MSDC) may be downsized.

This bill converts the Commission on Mental Retardation and Developmental Disabilities to a statutory commission. The bill also requires the Department of Workforce Development to develop training programs for employees laid off from Madison State Hospital. The bill also repeals noncode provisions concerning the Commission.

Effective Date: (CCR Amended) March 1, 2002 (Retroactive); Upon Passage; July 1, 2002.

Explanation of State Expenditures: (Revised) *Commission on Mental Retardation and Developmental Disabilities:* The conversion of the Commission to a statutory commission may increase state expenditures. The Commission shall operate under the policies set by the Legislative Council which currently provide a budget of \$9,000 per interim for study committees. The appropriation amount will not change from the current amount, however, there is no longer an expiration date for the Commission. Thus, the state may incur an ongoing cost for the Commission after 2005.

Muscatatuck State Developmental Center:

Operating Cost: This bill requires all provisions be met prior to closing MSDC. This may result in MSDC remaining open beyond the scheduled closure date of June 2003. The extension of the closure date beyond this time requires an additional appropriation. The current appropriation for MSDC is \$56.4 M annually. The provisions of this bill expire on July 1, 2005, thus MSDC may remain open until this time.

The current appropriation for MSDC for FY 2002 is \$56.4 M. Of this amount \$3.6 M are fixed costs and \$52.8 M are staff and supply costs. The total per capita cost is \$149,300 with treatment cost of \$139,600 per year, including staff time only, and \$9,700 in supply costs. The per diem for residents at MSDC is currently \$667 per resident. Of this amount Medicaid reimburses the state \$265, with state cost of \$402 per resident. (The maximum Medicaid allowable per diem is \$428 per resident. This amount includes the state share of \$163. Since the MSDC per diem is above this match, the state is responsible for 100% of costs above this amount, an additional \$239.)

The FSSA hired BSA Design to review the condition of state-operated care facilities. This study estimates that MSDC requires \$84.1 M in capital improvements over the next ten-year period to maintain existing service. Some of these items may need addressed prior to the 2005 deadline.

Specific Requirements - This bill requires that the MSDC remain open until all residents are placed in adequate placements. These placements must fully meet the capabilities and needs of the residents, must be no further from the residents families, and must be acceptable to resident or the resident's representative. If a placement is not acceptable to a resident, the center may not be closed. It is unforeseeable as to the number of residents or resident's representatives that will not find any placement other than MSDC acceptable. This provision may require MSDC to remain open until July 1, 2005. Additional appropriations would be required to keep the facility open beyond the scheduled closure date of June 2003. The full \$56.4 M appropriation may not be required due to the decreased number of residents requiring care and the associated decrease in facility capacity demand.

Study Costs - The cost of the different study components are listed separately below. Where appropriate the costs for a study and an associated plan are presented together.

Public Hearing - The Family and Social Services Administration (FSSA) can conduct a public hearing at no additional expense. The FSSA has previously conducted public hearings regarding the closure of MSDC on the MSDC campus. Existing FSSA staff will be able to administer the hearing on the MSDC campus. **Cost** - No additional cost expected.

Study of Risks to Health and Well-being of Residents - The FSSA previously conducted a study on the requirements of each resident. The needs studied included: level of skilled nursing care required, supervision required, transportation required, and special needs including dietary and mobility. Staff indicate that this study can be parlayed into a risk assessment by current staff. **Cost** - No additional cost expected.

Study of Type of Placements Available and Required by Residents - The FSSA previously conducted a study on the requirements of each resident. The needs studied included: level of skilled nursing care required, supervision required, transportation required, and special needs including dietary and mobility. FSSA staff can conduct a complete study of placements needs in house at no additional cost. **Cost** - No additional cost expected.

Economic Impact and Redevelopment Study - The Jennings County Economic Development Commission is working on this component. FSSA provided some survey information to the Commission to assist with the planning. The Commission was granted \$150,000 of Build Indiana Funds to develop an economic impact study as well as an economic redevelopment plan for the MSDC campus.

Jennings County staff have requested an additional \$150,000 from the Federal Economic Development Administration. This money will be used in conjunction with the remaining money from the original grant

to develop a county master plan. County staff state that a county plan is required in redeveloping the site because of infrastructure requirements and the large economic impact of the MSDC closure. If the grant is not approved they intend to seek additional state funds for the economic planning. **Cost** - \$150,000.

Environmental Risk Assessment and Remediation - The Family and Social Services Administration contracted with BSA Design to assess capital improvement needs of FSSA and ISDH facilities for the next ten years. The findings of this report are included in the Final Report of the Governor's Council on State-Operated Care Facilities in November 2000. The Muscatatuck State Developmental Center requires \$84 M in capital improvements that must be addressed in order to maintain the existing services. This study did not include any environmental remediation required. The study assumed that the facilities are "clean" and free of any potential environmental hazards such as asbestos, lead paint, leaking underground storage tanks, or other contamination requiring abatement. These abatement costs are difficult to assess, however, estimates for certain types of work are provided below.

There are three steps, or phases, in performing an environmental remediation. Note: these steps should be taken whether the MSDC remains open or closes.

- Phase I - site assessment - involves examination of historical records, government files, and an onsite visual assessment. This phase is useful in determining the potential contaminants onsite and general locations.
 - **Cost** - varies by site, estimated between \$3,500 to \$5,000.
- Phase II - site investigation - involves sampling and laboratory testing of groundwater, soil, and other potential contaminants such as lead paint and asbestos. This phase determines the extent of contamination and specific locations.
 - **Cost** - varies with extent of sampling required. Work estimated at \$2,000 per day (onsite), and additional \$80 per sample - 3-6 samples required per site.
- Phase III - site remediation - involves a variety of means to abate the environmental risk of contaminants onsite. This may involve soil removal, groundwater treatment, asbestos removal, bioremediation, or one of many other technologies deemed best and cost-effective for the type of contamination.
 - **Cost** - varies with extent of remediation required. Example: one leaking underground storage tank can cost between \$3,000 to \$500,000 to remediate.

Plan Costs - Plan and Timetable for Placement of all Residents - This portion of the plan could be conducted by FSSA staff with no additional resources required. Staff have already done some of the required work to meet this requirement. The MSDC currently serves 246 residents. Since the closure was announced, 33 residents have relocated from MSDC to other settings. Of the remaining 246 residents, 118 are in the process of planning for their transition from MSDC. The residents that moved out are in the following settings: 14 currently reside in supported living, 14 are in group homes, 2 are in alternate families for adults settings, and 3 individuals were transferred to Madison State Hospital. **Cost** - No additional cost expected.

Plan to Keep Stakeholders Informed of Closure Process - This portion of the plan could be conducted by FSSA staff with no additional resources required. FSSA staff have already conducted public hearings regarding the closure and are working with family members of residents in the relocation process. **Cost** - No additional cost expected.

Economic Redevelopment Plan for MSDC Campus - The Jennings County Economic Development

Commission is working on this component. Plan will be included in overall county master plan at a cost of approximately \$300,000. **Cost** - \$150,000 already allocated, \$150,000 additional request.

Monitoring Plan for Health and Safety Compliance and Compliance with Provision of Closure Plan-
This portion of the plan could be conducted by FSSA staff with no additional resources required. **Cost** - No additional cost expected.

Department of Workforce Development: The Department of Workforce Development is required to establish and operate retraining programs for employees of Madison State Hospital who are terminated from employment due to downsizing. This bill does not appropriate any funds to establish this program.

Explanation of State Revenues:

Explanation of Local Expenditures: See economic development plan in *State Expenditures* section.

Explanation of Local Revenues:

State Agencies Affected: Family and Social Services Administration, Department of Health, Department of Corrections, State Department of Personnel, and Department of Workforce Development.

Local Agencies Affected:

Information Sources:

Michelle Kearns, Environmental Scientist, Earth Source Inc., (219) 489-8511;

Eric Ellingson, President, Earth Source Inc., (219) 489-8511;

Joe Gordon, Vice President Remediation Services, Sagamore Environmental Services, Inc., (317) 842-0510;

Amy Brown, Legislative Director, Family and Social Services Administration, (317) 232-1149;

Alison Becker, Deputy Director - Fiscal Services, Family and Social Services Administration, (317) 234-1527; Kent Farr, Director - Institutional Finance, Family and Social Services Administration, (317) 232-7884;

Travis Campbell, Executive Director - Jennings County Economic Development Commission, (812) 346-2388; State staffing table January 25, 2002.